



SENATOR RUNNER'S WEEK IN REVIEW

A WEEKLY REVIEW THAT WILL KEEP YOU INFORMED AND UP-TO-DATE



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Workers' Compensation Reform Strengthened by Approval of Governor's Administrative Director Reports Outline Progress in Bringing Down Rates

On Thursday, April 28, the State Senate confirmed Governor Schwarzenegger's appointee Andrea Hoch as the Administrative Director of the California Division of Workers' Compensation (DWC). The Senate floor vote followed a four-hour confirmation hearing in the Senate Rules Committee the day before. The confirmation of Ms. Hoch will allow the DWC to continue to implement much-needed reforms to our system that will protect the rights of injured workers while helping to control our costs, which remain the highest in the nation.

The Administrative Director has the responsibility of implementing all of the workers' compensation reforms in Senate Bill 228 (Alarcon) and Senate Bill 899 (Poochigian), as well as managing the day-to-day operations of the Division of Workers' Compensation. Ms. Hoch was appointed as the acting Director in May 2004 and, among other accomplishments, has developed and issued the following regulations:

- **SB 228:** Utilization Review Guidelines, Official Medical Fee Schedule, Vocational Rehabilitation Reforms; and
- **SB 899:** Medical Provider Network Regulations, Permanent Disability Regulations. At her confirmation hearing, Ms. Hoch indicated that she would focus on implementing the remaining guidelines mandated by recent reform legislation. Specifically:
- **SB 228:** Medical Treatment Utilization Schedule, and Supplemental Job Displacement Benefit Voucher Regulations; and
- **SB 899:** Return to Work Regulations, Doctor Pre-Designation Guidelines, and Penalty Assessments for Utilization Review and other violations.

Additionally, in response to concerns raised about the newly proposed Partial Permanent Disability Schedule, the Ms. Hoch reaffirmed her intention to analyze the data as it becomes available and make adjustments to assure that the regulations appropriately reflect the programmatic changes mandated by SB 899.

News of the Week

[National Day of Prayer Activities](#)

[Antelope Valley Community Supporting Our Troops](#)

[Governor Schwarzenegger Visits Antelope Valley](#)

[Assemblywoman Runner Cracking Down on Workers' Comp Fraud](#)

[Legislation Could Assist with Economic Development](#)

[Proposal to Create California Border Patrol](#)

[Group Homes Need More Local Control](#)

[Press Release: Bill to Create More Economic Development](#)

State Releases First Annual Report of Workers' Comp Reforms

On April 18, the DWC released its first annual report of progress on implementation of SB 889, which was passed overwhelmingly by the Legislature and signed into law by Governor Schwarzenegger on April 19, 2004. Following is an excerpt from the report:

"SB 899 mitigates the problem of escalating costs by providing prompt, effective medical treatment to injured workers so they recover from injuries and return to work: Medical provider networks (MPNs) provide a framework for effective medical treatment; medical treatment guidelines determine whether proposed medical treatment is necessary and will be effective; new permanent disability rating schedule (PDRS) provides objective and consistent methodology to determine disability rating; and return to work provision supplies incentive for employers to return injured workers to the job. The result of implementing these reforms is more effective medical treatment and more accurate disability ratings, which result in significant cost savings to the workers' compensation system." [Read the complete report](#)

WCIRB Analysis Recommends Further Rate Reductions

On April 25, the Workers' Compensation Insurance Rating Bureau (WCIRB) released its fiscal analysis of California's workers' compensation costs. The report found that the average statewide insurer rate per \$100 of payroll for policies written in the second half of 2004 was \$5.32, down 16% from the \$6.37 rate charged for the second six months of 2003. The WCIRB also recommended the Insurance Commissioner adopt an approximately 10.4% rate reduction for policies renewing after July 1.

Insurer Filings Predicted to Reflect Additional Savings

The Insurance Commissioner will utilize the data and rate recommendation from the WCIRB to set the pure premium advisory rate. After the Insurance Commissioner issues a pure premium advisory rate, insurers will then file their rates to reflect the anticipated savings. Individual insurers will adjust their rates to reflect their individual loss ratios and the statutory need to maintain adequate reserves. Assembly Bill 227, which became effective on January 1, 2004, requires the Insurance Commissioner to establish an on-line rate comparison for the top 50 workers' compensation insurers. That information can be accessed at: <http://www.insurance.ca.gov/docs/FS-WC227.htm>

The impact of rate reductions on individual policyholders will depend on when they last renewed their policies and their own experience rates. For policyholders renewing after July 1, their rate will include the January 1, 2005 and the proposed July rate reduction adjusted for their own experience ratings.

The continued implementation of these reforms is critical to ensuring that employers and employees are better served by our workers' compensation system. Although there are some trends that suggest that California's workers' compensation system is moving in a better direction, we still need to see much greater rate reductions and more efficiency in the system before anyone will be satisfied.

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